

[REDACTED]

[REDACTED]

[REDACTED]

JUN 7 1983

Dear Applicant:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(5) of the Internal Revenue Code.

The information submitted indicates that you were incorporated under the State of [REDACTED] Non-Profit Corporation Act on [REDACTED]. The purposes for which you are organized shall be to assist persons in the natural Christmas tree industry to develop, grow, and market quality trees; to promote high standards of ethical conduct in the natural Christmas tree industry; to educate the public concerning the natural Christmas tree industry; to promote, plan and program educational seminars, conferences and conventions for persons engaged in the natural Christmas tree industry in the State of [REDACTED] to encourage, develop and coordinate research projects and otherwise seek solutions for the problems of the natural Christmas tree industry; to serve as a representative of the natural Christmas tree industry in the State of [REDACTED] and generally to further the overall interests of the industry.

You indicate that you were organized to assist all landowners in the area who are interested in growing Christmas trees. You conduct two meetings per year which are open to all land owners interested in this land-use. Agenda topics include basic management and marketing guidelines plus pertinent subject matter as it occurs. You also mail at least two newsletters per year to all members and informative publications are distributed upon request to land owners interested in Christmas tree productions.

You have established a marketing committee and a research committee. The marketing committee develops ways of informing the consumers of [REDACTED] that trees are being grown locally. An initial project of this committee was to publish a brochure listing the names of the farms that have Christmas trees available for sale. The research committee has studied ways to control a major insect pest that affects Christmas trees. It has also conducted studies to document the freshness of the trees being sold.

	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
ame		[REDACTED]					

[REDACTED]

The primary activity conducted by you at this time is to purchase bulk lots of seedlings from [REDACTED] ration. You have a standard order of [REDACTED] seedlings per year from that nursery. Seedling orders are taken by you from any [REDACTED] grower, member or nonmember. Orders are taken beginning in March of each year until the allotment is completely filled. Growers are charged an amount equal to the cost of the seedlings at the nursery plus freight charges.

Section 501(c) of the Code describes certain organizations exempt from Federal income tax under section 501(a) and reads, in part, as follows:

"(5) Labor, agricultural, or horticultural organizations."

Section 1.501(c)(5)-1 of the regulations provides, in part, as follows:

"(a) The organizations contemplated by section 501(c)(5) as entitled to exemption from income taxation are those which:

1. Have no net earnings inuring to the benefit of any member, and
2. Have as their objectives the betterment of the conditions of those engaged in such pursuits, the improvement of the grade of their products, and the development of a higher degree of efficiency in their respective occupations."

Revenue Ruling 66-105, 1966-1 Cumulative Bulletin, 145 held that an organization composed of agricultural producers whose principal activity is marketing livestock for its members does not qualify for exemption under section 501(c)(5). The organization's principal activity is marketing livestock as agent for its members at auctions held throughout the year. The ruling provides that the sale of members' products is neither an object nor an activity within the ambit of section 501(c)(5) and the regulations. The principal purpose of the organization is to act as a sales agent for its members. Therefore, the organization does not meet the requirements of section 1.501(c)(5)-1 of the Regulations and is not exempt under section 501(c)(5) of the Code.

Based on the information submitted, it is held that your primary activity is serving as purchase agent for your members. Since [REDACTED] will only sell in bulk orders, you take orders for seedlings from your members and others, make the necessary purchases and, in turn, deliver the seedlings to your members. Growers are charged an amount equal to the cost of the seedlings at the nursery plus freight charges.

You are comparable to the organization described in the cited revenue ruling. The only difference is that you purchase items for your members and the ruling concerns a marketing agent.

Accordingly, it is held that you do not qualify for exemption under section 501(c)(3) of the Code. You are required to file an annual Federal income tax on Form 1120.

If you agree with these conclusions or do not wish to file a written protest, please sign and return Form 6018 in the enclosed self-addressed envelope as soon as possible.

If you do not agree with these conclusions, you may, within 30 days from the date of this letter, file in duplicate a brief of the facts, law, and argument that clearly sets forth your position. If you desire an oral discussion of the issue, please indicate this in your protest. The enclosed Publication 892 gives instructions for filing a protest.

If you do not file a protest with this office within 30 days of the date of this report or letter, this proposed determination will become final.

Sincerely,


District Director

Enclosures
Publication 892
Form 6018